

Sent on Utility  
Paper

A PROPOSAL TO:

**Identify Past and Future Expenditures  
in the U.S. for Information Services**

Submitted to:

**Nomura Research Institute America, Inc.**

Revised March 2, 1993

Submitted by:

**INPUT**

The Atrium at Glenpointe  
400 Frank W. Burr Boulevard  
Teaneck, New Jersey 07666

201-801-0050  
Fax: 201-801-0441



## **I. BACKGROUND AND OBJECTIVES**

NRIA is interested in obtaining information on certain market segments of the financial services market. The six segments of interest include:

- Trading systems such as those offered by Micrognosis
- Market news, pricing data and other services such as those delivered by Reuters and Dow Jones
- Analytics offered as an electronic service by data providers or other processors
- Software products that provide analytic capabilities
- Electronic linkages with stock exchanges, wire services and other market participants
- Databases of general market information such as those provided by Interactive Data

For each of these segments, NRIA would like to know the estimates of expenditures in the U.S. for information services made at the present time (calendar year 1992) as well as in the recent past and estimated to be made in the near term future. For each segment, NRIA would also like to obtain estimates of the extent to which each market is penetrated and what vendor holds a leading position.

## **II. SCOPE**

INPUT will assemble data to address the needs of NRIA in relation to the segments specified above. The specific issues that will be addressed are outlined in the following questions:

- What expenditures were made in 1992 by brokerage organizations (and possibly some banks) for non-captive information services involving the market segments specified in Section I?
- What were these expenditures in 1988?
- What is the estimated total of these expenditures in 1996?
- What share or percentage of financial services (banking and brokerage) firms utilizes the service that have been estimated?
- What vendor has the largest estimated share of the services market for each of the market segments specified?



### **III. Methodology**

INPUT will utilize its database of information on expenditures in the information services industry as well as contacts in the industry to prepare our best estimates of the data that NRIA wishes to obtain. The contacts will be required since information in the INPUT database has not been organized by the segments that have been specified.

The data that is obtained or estimated will be organized in relation to the questions listed in Section III, above. For up to two of the segments, INPUT may report a range of revenue (e.g., \$90 - 120 million) rather than a total.

Charts and graphs will be prepared for the purpose of presenting the results.

Answers will be presented to NRIA by 3/5, providing that the project is authorized by 3/2.

A brief printed report with graphics will be provided by 3/10.

### **IV. Fees**

INPUT's fee for this study will be \$5,000 which is due upon presentation of data. This fee will include delivery of the final report to NRIA. If a presentation or discussion of the report is desired, a three hour presentation can be provided in New York City at an additional fee of \$750.



## AUTHORIZATION

To authorize the project as specified, please sign and return one copy of this proposal, along with the initial fee. Upon acceptance by INPUT, a countersigned copy of the proposal will be returned to Nomura Research Institute America, Inc.

AUTHORIZED BY:

**Nomura Research Institute America**

ACCEPTED BY:

**INPUT**

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_





*CL Prop*  
~~CL~~  
**INPUT**

Atrium at Glenpointe, 400 Frank W. Burr Blvd., Teaneck, NJ 07666 Tel. (201) 801-0050  
Fax (201) 801-0441

February 25, 1993


Mr. Matt Jacaruso  
Nomura Research Institute America, Inc.  
Building B  
2 World Financial Center  
New York, NY 10281-1197

Dear Matt:

Attached is a brief proposal along the lines of what Bob Clark spoke to you about.

Please call us if you have any questions.

Sincerely,



Thomas O'Flaherty  
Vice President

a:prop2:NRI-0225

cc: Bob Clark  
John McGann



A PROPOSAL TO:

**Identify Past and Future Expenditures  
in the U.S. for Information Services**

Submitted to:

**Nomura Research Institute America, Inc.**

February 25, 1993

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The Atrium at Glenpointe  
400 Frank W. Burr Boulevard  
Teaneck, New Jersey 07666

201-801-0050  
Fax: 201-801-0441



## **I. BACKGROUND AND OBJECTIVES**

NRIA is interested in obtaining information on certain market segments of the financial services market. The three segments of interest include:

- Market Data
- Analytics
- Electronic Linkages for Information Delivery

For each of these segments, NRIA would like to know the expenditures in the U.S. for information services made at the present time (calendar year 1992) as well as in the recent past and estimated to be made in the near term future.

## **II. SCOPE**

INPUT will assemble data to address the needs of NRIA in relation to the three segments specified above. The specific issues that will be addressed are outlined in the following questions:

- What expenditures were made in 1992 by all types of banking and brokerage organizations for processing or network services involving the supply of market data, analytical capabilities, or electronic linkages?
- What were these expenditures in 1990?
- What is the estimated total of these expenditures in 1994?
- What share or percentage of financial services (banking and brokerage) firms utilizes the service that have been estimated?
- What vendor has the largest share of the network and processing services market for each of the three market segments specified?
- Has each of the three segments described been growing or shrinking? What are the reasons for the growth or shrinkage of these segments?



### III. Methodology

INPUT will utilize its database of information on expenditures in the information services industry as well as contacts in the industry to prepare our best estimates of the data that NRIA wishes to obtain. The contacts will be required since information in the INPUT database has not been organized by the segments that have been specified.

A brief questionnaire will be used for the contacts undertaken.

The data that is obtained or estimated will be organized in relation to the questions listed in section III, above.

Charts and graphs will be prepared for the purpose of presenting the results.

Answers will be presented to NRIA by 3/5, providing that the project is authorized by 3/1.

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**AUTHORIZED BY:****Nomura Research Institute America****ACCEPTED BY:****INPUT**

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_



## ORDER/INVOICE/FULFILLMENT

Accg. ONLY

CUSTOMER/INVOICE TO

Inv. Comp.	By:	Date:	Client #	Order #	Inv. #	Multi-Invoicing of
ORIGINATOR (Signature) <u>John A. McHugh</u> DATE <u>3/3</u>						APPROVALS <u>SM</u>
Company <u>Nomura Research</u>		CA Tax Rate				VP Sales/Res.
Name Mr./Ms. <u>Hisashi Imai</u>		CT Tax 8%				Date
Position <u>Senior Vice Pres</u>		Salutation				Controller
Address <u>2 World Financial Center,</u>		State				Date
<u>Building B</u>		Zip				
City <u>N.Y., N.Y. 10281-1197</u>		Country				
Province		Fax				
Phone <u>212 667 1063</u>		Tlx				
Special instructions for invoicing/progress billing, or delayed payments, etc. <u>Bill at end</u>						

CLIENT AUTH. ORDER

Contract Year Beg. _____ End _____	Invoice Type <input checked="" type="checkbox"/> Fulfillment Only <input type="checkbox"/> W/Order (OR) <input type="checkbox"/> Monthly (MO) <input type="checkbox"/> Quarterly (QT) <input type="checkbox"/> Pending	Employee # Sold by: <u>JMC</u> <u>100%</u> _____ % _____ %	Employee # Commission to: <u>R.C.</u> <u>100%</u> _____ % _____ %
<input checked="" type="checkbox"/> New Order (N1) <input type="checkbox"/> Prior Yr (N3) <input type="checkbox"/> Renewal (N2) <input type="checkbox"/> Cancel			

PO# \_\_\_\_\_ INPUT Contract ☒ Letter ☐ Verbal ☐  
 Attach all authorizing documents to white (contract) copy.

SHIP TO

Company _____	Province _____
Name Mr./Ms. _____	Salutation _____
Position <u>Same</u>	State _____
Address _____	Zip _____
City _____	Country _____
	Phone _____

ITEM TYPE

- Subscription (SB)
- Custom (YC/ZC/KC)VC
- Multiclient (MC)
- Reports (RP)
- Copies (CP)
- Consult/Present (PR)
- Newsletter (NL)
- Reimbursed Costs (EX)
- Merger/Acq. (ME)
- Exec Overview (EO)
- Conf/Seminar (CN)

DETAIL

Indicate US, UK, FR, VA	Prod. ID/Year	Item Type Code	Item Description or Title	Quantity	Price	Shipped By	Date
US	YN#3	YC	opportunity study	1	\$5000	3/1	3/3
	YCP		no addl expense				

Fulfillment to be completed in: ☐ Corporate ☐ London ☐ Virginia ☐ France ☐ Other

• White - Contract • Green - Fulfillment • Yellow - Invoice • Pink - Originator • Goldenrod - Sales Manager

M&amp;S180 12/92

INPUT



INPUT

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AUTHORIZED BY:

Nomura Research Institute America

ACCEPTED BY:

INPUT

Asai, J.  
Name

\_\_\_\_\_  
Name

SVP  
Title

\_\_\_\_\_  
Title

3/3/93  
Date

\_\_\_\_\_  
Date



## PROJECT WORK STATEMENT

TITLE opportunity StudyCLIENT Nemura ResearchCONTRACT: ATTACHED ☒ TO FOLLOW ☐ LETTER ☐ VERBAL ☐PROJECT LEADER JMcGinn PROJECT CODE 700DATE STARTED 3/3 PLANNED COMPLETION DATE 3/9LEVEL OF EFFORT(Professional Man Days) 27

DISTRIBUTION

CONTRACT FILE

LIBRARY FILE

NEW JERSEY

INPUT LTD.

Originator

TOTAL CONTRACT VALUE: \$ or £ 5,000REVENUE DISTRIBUTION (% or \$) INPUT US 100 INPUT LTD     REIMBURSABLE EXPENSES: NO ☒YES ☐EXP. BUDGET     TO COVER: TRAV:     TELE:     RPT. PREP.:     OTHER:     BILLING SCHEDULE DESCRIPTION Bill at end

SHEILA (Y&amp;Z on

BINDER COPY

Date Typed

PROJECT DESCRIPTION Develop revenue estimates  
for segments of coverage industry  
in 92, 96 and 98INDICATE TYPE OF WORK: REPORT ☒ PRESENTATION ☐THANK YOU PACKAGE: YES ☐ NO ☒ACCOUNTING USE ONLY: ENTERED ON CURRENT PROJECT LIST     

INPUT





# PROJECT SCHEDULE (Q1-1993)

\*Corporate Week \*\*Ending Date †Working Days; ( ) UK

INPUT\*

Activity	Name	Act. Days	Factor	ESDs	JANUARY				FEBRUARY				MARCH				
					1* 1/8** 5†	2 1/15 5	3 1/22 5	4 1/29 5	5 2/5 5	6 2/12 5	7 2/19 4(5)	8 2/26 5	9 3/5 5	10 3/12 5	11 3/19 5	12 3/26 5	13 4/2 5
Preliminary Proj. Spec.	JM	.1	1	.1									.7				
Client Poll																	
Project Spec./Authorization																	
Quest. Design/Test/QC.																	
Quest. Approval/Review Meeting																	
User Interviews:																	
# On-Site ( )																	
# Telephone ( 5 )	JM	.5	1	.5									.5				
Vendor Interviews:																	
# On-Site ( )																	
# Telephone ( 4 )	JM	.4	1	.4									.4				
Secondary Research	JM	.5	1	.5									.5				
TOTAL PLAN SR.		1.5											1.5				
TOTAL PLAN RA													1				
TOTAL PLAN ESDs																	
TOTAL SPENT SR.																	
TOTAL SPENT RA																	

Proj. Code: YN3

Proj. Name:

Opportunity Study

Prepared by:

J. McGraw

Proj. Manager:

J. McGraw

Date:

3/3/93



## PROJECT SCHEDULE (Q1-1993)

continued

\*Corporate Week \*\*Ending Date †Working Days; () UK

INPUT\*

continued

Activity	Name	Act. Days	Factor	ESDs	JANUARY					FEBRUARY				MARCH				
					1* 1/8** 5†	2 1/15 5	3 1/22 5	4 1/29 5	5 2/5 5	6 2/12 5	7 2/19 4(5)	8 2/26 5	9 3/5 5	10 3/12 5	11 3/19 5	12 3/26 5	13 4/2 5	
Data Tab./Analysis	JM	.3	1	.3										7.3				
Exhibit Development																		
Forecasting																		
Vendor Profiles # ( )																		
Write Report. # of Pages ( 5 )	JM	.5	1	.5										7.5				
Abstract/Press Release/Brochure																		
INPUT/Output Article																		
Production/QC.	JM																	
Presentation Prep/Delivery	JM	.2	1	.2										.27				
"Thank-You" Package																		
Project Wrap-up	JM	.1	1	.1										.17				
TOTAL PLAN SR.		1.2												1.2				
TOTAL PLAN RA																		
TOTAL PLAN ESDs				2.7														
TOTAL SPENT SR.																		
TOTAL SPENT RA																		

Proj. Code: YN3 Proj. Name: Opportunity Study Prepared by: J McGinn  
 Proj. Manager: J McGinn Date: 3/3/93

PLG 30002 8/92 (R)



## **REPORT FOR NOMURA RESEARCH INSTITUTE**

### **I. REPORT CONTENTS**

This report summarizes the objectives of NRI and presents the results of the research performed by INPUT. Section II, Report Objectives, contains an overview of objectives of the research, and Section III, Market Analysis, presents the results together with a brief summary of related findings.

### **II. REPORT OBJECTIVES**

The report objectives are to provide best estimates of market information in regard to six segments of the brokerage market:

- Trading Systems
- Market Data  
Pricing and News
- Analytics (Processing)
- Analytic Software Products
- Electronic Linkages
- Market Data Bases

Market information desired includes best estimates of revenues in 1992, 1988 and 1996; names and strengths of leading vendors in each segment; and the amount of penetration of the potential market in each segment. The amount of penetration should indicate how much more revenue might have been gained from each of the markets. One of the factors involved in penetration is growing awareness or demand for products, but as products mature or age, their possible replacement can add to the potential penetration by new products. Significant changes in products or services can also lead to opportunities to replace competitors, and these situations may not be reflected in the level of penetration in any specific year.



### III. MARKET ANALYSIS

#### A. Information by Segment

##### 1. Segment: Trading Systems

	<u>Annualized Revenue</u>		
	<u>1992</u>	<u>1988</u>	<u>1996</u>
Estimated Non Captive Revenues \$ million (Only software products are included; hardware and professional services would double the amounts shown.)	500	420	550
Percentage of Potential Market in 1992	60		
Leading Vendors	Strengths of Vendors		
Micrognosis	Understanding of trading function and knowledge of sources and problems involved in pricing; experience in implementing trading systems.		
Rich (Reuters)	Involved in trading and front office operations at a number of firms; experience with many workstation platforms.		
Comments	DEC, IBM, HP and DG (Sun is now active in the market as well) have also been active in installing these types of systems. They have greater depth in IT resources than the firms listed above. Users may become much more active in the future in selecting and integrating products for these types of systems.		





2. Segment: **Market Data  
Pricing and Actionable News**

	<u>Annualized Revenue</u>		
	<u>1992</u>	<u>1988</u>	<u>1996</u>
Estimated Non Captive Revenues \$ million	1900	1700	2050

Percentage of  
Potential Market in 1992 70

Leading Vendors Strengths of Vendors

Telerate Fixed income markets, number of markets covered, range of data.

Reuters Global data; integration of data, news and applications; range of markets covered and Instinet capability

Comments Other vendors include Quotron, ADP (which states that it has two thirds of the quotation terminals in use) and Knight Ridder. A company with the capabilities of Micrognosis might become a competitive provider of market data (ticker plant) since it knows how data can be collected, the vendors who currently provide data and problems associated with various sources of data.



**3. Segment: Analytics (processing)**

	<u>Annualized Revenue</u>		
	<u>1992</u>	<u>1988</u>	<u>1996</u>
Estimated Non Captive Revenues \$ million	420	350	500

Percentage of  
Potential Market in 1992                      50

Leading Vendors                      Strengths of Vendors

Sungard                      Past experience in market, relationships with institutions holding portfolios.

ADP                      Range of other services that are provided

Bloomberg                      Evaluation and what if capabilities.

Comments                      Quotron and the two largest data providers also provide analytic processing capabilities. Vendors do not always charge separately for all uses of these capabilities.



**4. Segment:     Analytics (Software)**

	<u>Annualized Revenue</u>		
Estimated Non Captive Revenues \$ million	<u>1992</u>	<u>1988</u>	<u>1996</u>
	320	250	480

Percentage of  
Potential Market in 1992                      30

Leading Vendors                      Strengths of Vendors

Sungard                      Has a reputation for a range of software products to serve processing needs.

Reuters                      Reputation and contacts in trading functions.

Comments                      There are a number of other providers including Barra and Dow Jones Analytic Software. This market could grow rapidly as more workstation products are developed for smaller trading organizations and the individual investor. Several analytic products which run under Windows have been offered recently for those markets.



**5. Segment: Electronic Linkage**

	<u>Annualized Revenue</u>		
	<u>1992</u>	<u>1988</u>	<u>1996</u>
Estimated Non Captive Revenues \$ million (Much of the revenue is packaged with other services.)	50-110	40-100	60-120

Percentage of  
Potential Market in 1992 65

Leading Vendors Strengths of Vendors

There are two types of vendors that clients think of as providers of electronic linkages: those who concentrate on providing market feeds and those who provide access to a set of market data. In addition to electronic linkage, the first type usually involves editing, cleaning up and packaging data.

ADP Combination of services for broker workstation including sources of market data.

Quotron Experience in delivering pricing data to a workstation.

Comments Electronic linkage is also supplied by Knight Ridder, S&P Comstock, PC Quotes and ILX.

Fidelity and Schwab also deliver linkages to market data through their workstation capabilities. These and other electronic linkage capabilities are delivered as part of a package of services. Contacts at several large brokerages pointed out that they could implement market feeds, but they want a package of services. ADP provides a package of information, processing, analytics, data feeds and brokerage workstations at an attractive price according to contacts at Merrill Lynch.

There could be a real opportunity to supply an economic service to investors and smaller dealer firms that provided data and analytics and was not connected to a brokerage firm as the Schwab (Equalizer) services are. That would lower the price and let the user choose the broker to contact for a trade.





**6. Segment: Market Data Bases  
(General Market and Corporate Information)**

	<u>Annualized Revenue</u>		
	<u>1992</u>	<u>1988</u>	<u>1996</u>
Estimated Non Captive Revenues \$ million	320	280	380

Percentage of  
Potential Market in 1992 35

Leading Vendors Strengths of Vendors

Interactive Data Wide range of quantitative data available. Interactive is used for many end of day evaluations.

Dialog Wide range of information sources.

Mead Large volume of general and corporate news.

ADP Markets a number of sources of information together with its workstation services.

Comments The president of one of these firms points out that it is difficult to decide what portion of revenue can be attributed to market support but felt that it was meaningful to separate this category of information use from market data and actionable news. He also felt that work should be done to define how this information is used.



## B. Related Findings

The analysis of market data presented in this report relied upon contacts in the marketplace to aid in the classification of revenues and vendors. The comments of market contacts suggested that there are growing opportunities in the marketplace resulting chiefly from two factors:

- Developments in technology, particularly developments in workstations and communication.
- The desire of individual investors to have more tools and information made available to them for the purpose of evaluating investment alternatives, making decisions and initiating actions electronically.

One future opportunity could involve providing workstation capabilities for individual investors at their homes or places of business. This opportunity could require further developments in analytical software, possibly the development of expert systems that allowed investors to test their reasoning on investment decisions.

Another opportunity could involve combining services in new ways to meet market needs such as using the capabilities of a firm such as Micrognosis to package pricing data to meet the needs of groups of market participants.

During the course of this study, contacts noted that one of the factors to consider is the reluctance of some buyers to acquire market data or services from someone they regard as a real or potential competitor.

